

*You are always welcome at our headquarters office and plant in Jewel Park*

**JEWEL TEA CO., INC.**  
**JEWEL PARK, BARRINGTON, ILLINOIS**

*Directors:*

HENRY S. BOWERS	F. M. KASCH
JOHN M. HANCOCK	C. W. KAYLOR
A. VERNON JANNOTTA	E. E. RICHARDS
M. H. KARKER	WALTER E. SACHS
ROBERT R. UPDEGRAFF	

*Officers:*

JOHN M. HANCOCK  
*Chairman of the Board of Directors*  
M. H. KARKER

*President*

ROBERT HILTON, *Vice Pres.—Administration*  
F. M. KASCH, *Vice Pres.—Food Stores*  
C. W. KAYLOR, *Vice Pres.—Public Relations*  
J. M. FRIEDLANDER, *Treasurer*  
A. U. HUNT, *Controller*  
T. EDW. DAVIS, *Secretary*  
F. J. LUNDING, *Asst. Secretary*  
RICHARD D. STURTEVANT, *Asst. Secretary*

*Transfer Agent:*

MANUFACTURERS TRUST COMPANY  
55 Broad Street, New York City

*Registrar:*

THE COMMERCIAL NATIONAL BANK & TRUST  
COMPANY OF NEW YORK, 56 Wall Street,  
New York City

*Auditors:*

TOUCHE, NIVEN & Co., *Certified Public  
Accountants, New York and Chicago*



# JEWEL TEA CO., INC.

JEWEL PARK

BARRINGTON, ILLINOIS

February 2, 1940

## TO THE STOCKHOLDERS:

The twenty-fourth annual report of your company for the fiscal year ended December 30, 1939 is presented herewith:

**EARNINGS** Net earnings for the year — after provision for taxes, depreciation, profit sharing and reserves — were \$1,583,177.72 or \$5.65 per share on the 280,000 shares of common stock issued and outstanding compared with \$1,423,959.03 or \$5.09 per share in 1938.

**SALES** Total sales amounted to \$24,782,383.19 compared with \$23,726,533.48 in 1938, an increase of 4.45%. The number of operating units was increased by three routes and seven stores, and the cost of starting these units was charged to current operations.

Sales of Jewel products to independent distributors in the metropolitan areas of Cleveland, Milwaukee, and Minneapolis-St. Paul were continued. Your company also continued its research, looking toward the development of more efficient distribution methods and new markets.

**WORKING CAPITAL** Net working capital amounted to \$4,680,059.56 and the ratio of current assets to current liabilities was 3.81 to one. Marketable securities consisted of the following groups of bonds at market quotations as of December 30, 1939: Federal government obligations \$1,152,103.01, state and municipal bonds \$533,961.86, industrial, public utility, and others \$864,919.14. Marketable securities were valued at the lower of cost or market and this resulted in a net writedown of \$2,345.50.

Your company had on hand and under contract a total of 72,611 bags of coffee at the end of the year, a stock sufficient to meet roasting needs for approximately 18 weeks. The extension of war conditions to parts of Europe has not had major effect on the business of your company. There is as yet no particular problem in the adequacy of the supply of import items and the principal interference thus far experienced has been the blocked export of China teas and a reduction in available shipping for the safe carriage of other items of import.

**OPERATING EXPENSES** The ratio of expenses to sales for the current year was markedly lower than in 1938, even after including the provision of \$247,725.91 for Jewel Retirement Estates. Particular progress was effected in the control and reduction of uncollectible accounts, delivery expense and breakage; a result probably due in some measure to the increased interest of the personnel in consequence of the extension of the principle of profit sharing.

**EMPLOYEE RELATIONS** The usual fine understanding and confidence among Jewel employees continued in 1939. The predominant element of the business is the competence of a trained and stable operating personnel which has recognized its obligation as well as its opportunity. The best interests of the stockholders require that every proper step be taken to encourage that continuity of employment which insures the economic prosperity and security of the business and its people.

There was active interest in the new plan for accumulating retirement funds and on December 30, 1939 1,744 employees out of 2,282 eligible had become members. The company contribution to Jewel Retirement Estates averaged \$2.23 for each \$1.00 deposited by the participating members, and the trust fund had total assets valued at approximately \$441,000 as of the end of the year 1939.

**RESERVES** Assets have been conservatively valued and reserves have been provided by the application of the same principles in use for many years. The reserve of \$129,000 provided out of 1938 earnings for the extension of institutional advertising, public relations, and sales promotion was not used during the year but the additional expenditures for these purposes were charged to current expense. An addition of \$21,000 has been made to this reserve out of earnings in 1939 and the total of \$150,000 appropriated for the same purposes in 1940.

The temporary protective reserve of \$150,000 for inventories set aside on July 15, 1939 out of earnings in the first twenty-eight weeks has been returned to earnings for the year.

On December 29, 1939 the Treasury Department levied assessments totaling \$17,872.07 against your company for additional income taxes for the years 1936 and 1937. These assessments will be contested.

**TAXES** The company's tax bill amounted to \$1,137,256.78 and exceeds the 1938 cost by \$36,841.37. Increased state sales taxes principally caused the rise in tax cost. The following table shows graphically how your company's tax bill has been affected by the spending policies of federal, state, and municipal governments:



## TAX COST

Year	Total	Per Share on 280,000 Shares Issued	Per Annum Per Person Employed
1932	\$248,457	\$ .89	\$ 87.57
1933	426,897	1.52	129.23
1934	589,069	2.10	176.13
1935	676,717	2.42	201.70
1936	850,605	3.04	246.52
1937	991,908	3.54	270.70
1938	1,100,415	3.93	298.22
1939	1,137,256	4.06	313.71

**OFFICERS** T. Edw. Davis and Richard D. Sturtevant were elected Secretary and Assistant Secretary of the company, respectively, at a meeting of the board of directors on April 24, 1939.

**CAPITALIZATION** At a special meeting on January 29, 1940, stockholders voted to increase the number of authorized shares by 300,000, making a total of 600,000 shares authorized, and to change the number of shares issued from 280,000 to 560,000. Steps necessary to list on the New York Stock Exchange the additional shares to be issued, and to register them under the Securities Exchange Act of 1934, will be completed on March 1, 1940 after which each stockholder will be mailed one additional share of stock for each share held as of February 9, 1940.

**SURPLUS** Regular dividends of \$4.00 per share, a special dividend of \$1.00 per share out of surplus, and a final dividend for the year of \$1.00 per share, were paid in 1939. In the last ten years your company has distributed 89% of its earnings in dividends to stockholders and 11% has been retained in the operation and protection of the business. The surplus account was closed with a balance of \$2,693,100.79.

The results of the operation of your company for the year 1939 are a further tribute to the loyalty, effort, and solidarity of the organization. For the results achieved, and for the splendid spirit and cooperation of the personnel, the management desires to acknowledge its obligation and to express its appreciation and gratitude.

M. H. KARKER, *President*

For the Board of Directors:

JOHN M. HANCOCK, *Chairman*



# JEWEL TE

(A New York

## BALANCE

### ASSETS

#### Current Assets:

Cash on hand, demand and time deposits.....		\$ 1,199,284.46
Marketable securities at cost or market, whichever is lower, and interest (market quotation \$2,550,984.01).....		2,524,584.29
Accounts receivable:		
Trade customers, less reserve of \$33,654.61 for doubtful accounts..	\$ 193,193.09	
Miscellaneous, less reserve of \$2,013.38 for doubtful accounts....	62,471.62	
		255,664.71
Inventories at cost or market, whichever is lower:		
Raw materials.....	\$ 777,693.22	
Finished groceries.....	1,303,414.19	
Premiums.....	282,187.43	
		2,363,294.84
		\$ 6,342,828.30

#### Other Assets:

Common stock in treasury and held for employees, at cost or market, whichever is lower, less payments of \$536.80 thereon (3,135 shares of which 50 shares are under contract for sale to employees).....	\$ 106,073.63	
Loans to employees.....	8,134.61	
Cash surrender value of life insurance policies.....	75,347.00	
Miscellaneous investments, deposits and contracts (net), less reserve of \$15,000.00.....	35,156.05	
		224,711.29

#### Jewel Employees Trust Fund Assets:

Investments at cost or market, whichever is lower, and cash (Jewel employees surety and savings deposits, per contra).....		513,665.15
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#### Deferred Charges:

Premiums (at cost) advanced to customers, less reserve of \$209,843.87 for doubtful accounts.....	\$ 843,053.54	
Unexpired insurance, expense supplies, etc.....	196,936.48	
		1,039,990.02

#### Capital Assets:

(Appraised as of December 31, 1932, when book values were reduced \$404,537.66 to basis of current values, plus subsequent additions at cost)		
Land.....	\$ 473,946.26	
Buildings.....	\$ 1,435,023.45	
Machinery, furniture and fixtures, at plants.....	465,907.41	
Branch and store equipment.....	1,919,771.77	
	\$ 3,820,702.63	
Less reserve for depreciation.....	1,747,632.67	
	2,073,069.96	
		2,547,016.22
Good Will.....		1.00
		\$10,668,211.98



# A CO., INC.

Corporation)

## SHEET

DECEMBER 30, 1939

### LIABILITIES

#### Current Liabilities:

Accounts payable, trade.....	\$ 376,087.37
Accrued wages and bonuses.....	471,988.28
Provision for contribution to Jewel Retirement Estates.....	247,725.91
Federal, state and other taxes accrued.....	559,245.27
Sundry accruals.....	7,721.91
	<u>\$ 1,662,768.74</u>

#### Liabilities for Real Estate Purchases:

Lease assumptions and lease adjustments, payable in monthly installments, of which \$10,848.96 is due within one year.....	34,288.45
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#### Jewel Employees Surety and Savings Deposits:

Principal and interest at the rate of 3% per annum guaranteed by Jewel Tea Co., Inc. (Jewel employees trust fund assets, per contra)	513,665.15
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#### Reserves:

For contingencies.....	\$ 285,000.00
For automobile accident and other self-insured losses.....	186,926.51
For alterations, improvement, development and advertising.....	357,000.00
	<u>828,926.51</u>

#### Capital Stock and Surplus:

Common stock, no par value:	
Authorized.....300,000 shares	
Unissued.....20,000 shares	
Issued and outstanding..... <u>280,000</u> shares	\$ 4,935,462.34
Earned surplus, per annexed statement (including \$138,766.12 arising from sale and distribution of common stock to employees and others from 1926 to December 30, 1939).....	<u>2,693,100.79</u>
	7,628,563.13

Whereof \$106,073.63 represents the cost of 3,135 shares of common stock (after deducting payments of \$536.80 received on 50 shares under contract for sale to employees) acquired for sale or distribution to employees and carried as an asset, the market quotation of which is \$272,208.20.

#### Contingent Liabilities:

Under contracts for coffee and other commodities not shipped at December 30, 1939.....	<u>\$153,710.94</u>
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\$10,668,211.98

# JEWEL TEA CO., INC.

(A New York Corporation)

## INCOME AND SURPLUS ACCOUNT

For the Fifty-two Weeks Ended December 30, 1939

<b>Net Sales</b> .....		\$24,782,383.19
<b>Deduct:</b>		
Cost of sales — including raw materials, labor, supplies, operating, selling and administrative expenses, etc. ....	\$21,045,237.59	
Depreciation — of buildings, machinery, furniture and fixtures, and automobiles. ....	386,414.04	
Taxes — federal income (\$312,802.01), state income, franchise, capital stock, excise, federal old age and survivors' benefit, federal and state unemployment, sales, use, occupational, gasoline, motor carrier, occupancy, personal property and real estate taxes, and automobile and business licenses. ....	1,137,256.78	
Provision for doubtful accounts. ....	70,019.21	
Rents. ....	397,757.77	
Maintenance and repairs. ....	153,978.76	
Provision for contribution to Jewel Retirement Estates. ....	247,725.91	
Reserves — additions to:		
Alterations, improvement, development and advertising. ....	21,000.00	
		23,459,390.06
		<u>\$ 1,322,993.13</u>
<b>Add:</b>		
Other income:		
Interest on securities. ....	\$ 60,662.38	
Profits on securities (net). ....	9,409.99	
Other miscellaneous income. ....	190,112.22	
		260,184.59
<b>Net Earnings for the Year</b> .....		<u>\$ 1,583,177.72</u>
<b>Earned Surplus, December 31, 1938</b> .....		2,702,411.98
		<u>\$ 4,285,589.70</u>
<b>Deduct:</b>		
Dividends on common stock (\$5.00 per share from earnings and \$1.00 per share from surplus) .....	\$ 1,658,666.00	
Less adjustments arising from sale and distribution of common stock to employees and others. ....	66,177.09	
		<u>1,592,488.91</u>
<b>Earned Surplus, December 30, 1939</b> (including \$138,766.12 arising from sale and distribution of common stock to employees and others from 1926 to December 30, 1939) .....		<u><u>\$ 2,693,100.79</u></u>

The above income and surplus account and the accompanying balance sheet of Jewel Tea Co., Inc., (a New York Corporation) are in accordance with and correctly prepared from the books of the Company, and exhibit, in my opinion, a true statement of the financial position of the Company on December 30, 1939, and the results of its operations for the fifty-two (52) week period then ended.

Barrington, Illinois, January 27, 1940.

A. U. HUNT, *Controller*





TO THE BOARD OF DIRECTORS,  
JEWEL TEA CO., INC.:

We have examined the balance sheet of Jewel Tea Co., Inc. (a New York corporation) as of December 30, 1939, and the statement of income and surplus for the year of fifty-two weeks then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the position of Jewel Tea Co., Inc. at December 30, 1939 and the results of its operations for the year of fifty-two weeks, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN & CO.  
*Certified Public Accountants*

Chicago, Illinois  
January 27, 1940

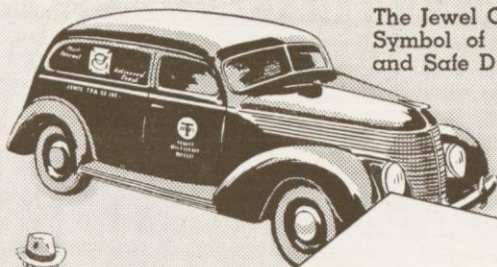


## TABLE OF COMPARATIVE SALES AND EARNINGS

YEAR	SALES	EARNINGS	
		AMOUNT	PER SHARE ON COMMON STOCK*
1921	\$11,210,388	\$ 321,457	\$1.15
1922	10,240,810	152,149	.54
1923	12,554,875	624,200	2.23
1924	13,602,745	855,076	3.05
1925	14,178,478	838,947	3.00
1926	14,568,258	1,258,052	4.49
1927	14,532,336	1,261,391	4.50
1928	15,970,893	1,530,888	5.47
1929	16,844,110	1,691,302	6.04
1930	15,521,791	1,705,293	6.09
1931	13,742,691	1,363,780	4.87
1932	14,662,252	1,053,626	3.76
1933	14,377,593	909,325	3.25
1934	17,217,177	1,243,123	4.44
1935	18,804,498	1,536,186	5.49
1936	20,762,707	1,794,101	6.41
1937	23,277,441	1,452,120	5.19
1938	23,726,533	1,423,959	5.09
1939	24,782,383	1,583,177	5.65

\*Based on 280,000 shares.





The Jewel Car ....  
Symbol of Service  
and Safe Driving



One Of 116 Clean, White,  
Modern Jewel Food Stores  
In Chicagoland



## *Dear Stockholder-*

You supply the money that makes  
our jobs possible. We are proud and  
happy to be working with and for you.  
We shall continue to do all we can to  
justify your confidence in us.

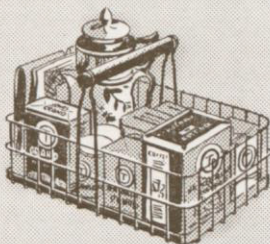
If you live in territory we serve  
and aren't among our many stock-  
holder-customers, we invite you to  
enjoy Jewel Coffees, groceries, and  
premiums. When you recommend Jewel  
service to your friends you add to  
company progress.

We are grateful for your coopera-  
tion and support in 1939.

*The Men and Women  
of Jewel Tea Co., Inc.*

*Quality Coffees and Groceries with Premiums*

Hall China Coffee  
Maker — One of 60  
Jewel Premiums



The Jewel Basket  
Brings the Market to  
Your Home

